

**MICHIGAN HIGHER EDUCATION FACILITIES AUTHORITY
A PROPRIETARY COMPONENT UNIT
OF THE STATE OF MICHIGAN**

**REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)**

YEAR ENDED SEPTEMBER 30, 2007

CONTENTS

	<u>Page</u>
Independent auditors' report	iii - iv
Management's discussion and analysis.....	v - vi
Financial statements	
Statement of net assets	1
Statement of activities.....	2
Statement of revenues, expenses and changes in net assets.....	3
Statement of cash flows	4
Notes to financial statements	5 - 10
Report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i>	11 - 12



Lamonte T. Lator
Bruce J. Dunn
Jeffrey C. Stevens
Linda I. Schirmer
Steven W. Scott
David M. Raeck
Robert E. Miller, Jr.
Steven B. Robbins
James E. Nyquist
James R. Dedyne

Timothy H. Adams
David B. Caldwell
Edward L. Williams, III
Timothy J. Orians
Dennis D. Theis

Walter P. Maner, Jr. (1921-2004)
Floyd L. Costerisan
Leon A. Ellis (1933-1988)

INDEPENDENT AUDITORS' REPORT

Michigan Higher Education Facilities Authority
Lansing, Michigan

November 21, 2007

We have audited the accompanying basic financial statements of the Michigan Higher Education Facilities Authority, A Proprietary Component Unit of the State of Michigan, as of and for the year ended September 30, 2007, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Michigan Higher Education Facilities Authority, A Proprietary Component Unit of the State of Michigan as of September 30, 2007, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 21, 2007 on our consideration of the Michigan Higher Education Facilities Authority, A Proprietary Component Unit of the State of Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages v and vi is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Maner, Costinison & Ellis, P.C.

Certified Public Accountants



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

ROBERT J KLEINE
STATE TREASURER

Management's Discussion and Analysis

We are pleased to present the financial statements of the Michigan Higher Education Facilities Authority. The Michigan Higher Education Facilities Authority (the "Authority") was organized under Act 295 of the Michigan Public Acts of 1969. The mission of the Authority is to lower the cost of higher education by providing Michigan's private non-profit educational institutions access to tax-exempt capital. It is the vision of the Authority to be the first choice of capital financing for private non-profit higher educational institutions by being the most efficient and economical source of capital.

The Authority is a public corporate body within the Michigan Department of Treasury, Bureau of Bond Finance. The Authority is governed by a nine-member board appointed by the Governor with the advice and consent of the Senate. The Authority is a component unit of the State of Michigan.

The Authority issues or sells tax-exempt bonds in the regional or national public finance markets. The proceeds from these bonds are then lent to private non-profit educational institutions to finance capital projects.

The following is a condensed summary of financial information for the years ended September 30, 2007 and 2006, respectively.

Condensed Financial Information

Category	2007	2006
Total Assets	\$ 520,136	\$ 502,173
Total Liabilities	21,819	28,814
Total Net Assets	498,317	473,359
Operating Revenues	152,192	139,331
Operating Expenses	142,695	149,466
Operating Income (Loss)	9,497	(10,135)
Nonoperating Revenue	15,461	15,905
Change in Net Assets	24,958	5,770
Ending Net Assets	498,317	473,359

Fees charged to its clients fund the operations of the Authority. The fees are based on the outstanding debt of its clients. For fiscal year 2007 the new bond issues exceeded the principal retirement of debt by \$215 million. The operating revenues reflect this additional increase in principal debt outstanding.

The methodology for the allocation of expenses is determined by the Department of Treasury. This methodology allocates payroll and other indirect expenses on predetermined percentages. The operating expenses for the Authority decreased by 5% from the previous year. Because of this lower cost of operation the Authority had a greater operating profit compared to 2006.

The net assets of the Authority are invested as part of the State Treasurer's Common Cash Pool. Interest rates were lower for 2007 which resulted in a decrease in nonoperating revenue from the prior year. The average interest rates were 3.2% and 3.3% for 2007 and 2006, respectively.

The Authority's clients realized attractive interest rates on their loans. The Authority issued over \$290 million in debt this past fiscal year with interest rates varying from 3.28% to 4.50%.

**MICHIGAN HIGHER EDUCATION FACILITIES AUTHORITY
A PROPRIETARY COMPONENT UNIT OF THE STATE OF MICHIGAN
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2007**

ASSETS

CURRENT ASSETS:

Amounts due from state treasurer (Note 1)	\$ 480,646
Amounts due from other governmental units (Note 5)	1,767
Other current assets:	
Fees receivable	<u>37,723</u>

TOTAL ASSETS	<u><u>\$ 520,136</u></u>
--------------	--------------------------

LIABILITIES AND NET ASSETS

NONCURRENT LIABILITIES:

Employee compensated absences and sick leave (Note 2)	\$ 21,819
---	-----------

NET ASSETS:

Unrestricted	<u>498,317</u>
--------------	----------------

TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 520,136</u></u>
----------------------------------	--------------------------

MICHIGAN HIGHER EDUCATION FACILITIES AUTHORITY
A PROPRIETARY COMPONENT UNIT OF THE STATE OF MICHIGAN
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2007

Functions/programs	Expenses	<u>Program revenues</u> Charges for services	Net revenue and change in net assets
Primary government:			
Business type activities:			
Hospital Finance Authority	\$ 142,695	\$ 152,192	\$ 9,497
General revenues:			
Unrestricted investment income			<u>15,461</u>
CHANGE IN NET ASSETS			24,958
NET ASSETS, beginning of year			<u>473,359</u>
NET ASSETS, end of year			<u>\$ 498,317</u>

**MICHIGAN HIGHER EDUCATION FACILITIES AUTHORITY
A PROPRIETARY COMPONENT UNIT OF THE STATE OF MICHIGAN
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED SEPTEMBER 30, 2007**

OPERATING REVENUES:

Authority fees	<u>\$ 152,192</u>
----------------	-------------------

OPERATING EXPENSES:

Personnel services	82,152
Purchased professional and technical services	51,852
Other expense	<u>8,691</u>

Total operating expenses	<u>142,695</u>
--------------------------	----------------

Operating income	9,497
------------------	-------

NONOPERATING REVENUES:

Investment income	<u>15,461</u>
-------------------	---------------

CHANGE IN NET ASSETS	24,958
----------------------	--------

NET ASSETS:

Beginning of year	<u>473,359</u>
-------------------	----------------

End of year	<u><u>\$ 498,317</u></u>
-------------	--------------------------

MICHIGAN HIGHER EDUCATION FACILITIES AUTHORITY
A PROPRIETARY COMPONENT UNIT OF THE STATE OF MICHIGAN
STATEMENT OF CASH FLOWS
FOR YEAR ENDED SEPTEMBER 30, 2007

CASH FLOWS FROM OPERATING ACTIVITIES:

Receipts from customers	\$ 148,697
Payments to suppliers	<u>(149,690)</u>
Net cash used by operating activities	<u>(993)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest and investment income (non program)	15,461
Advances to state treasurer	<u>(14,468)</u>
Net cash used by investing activities	<u>993</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS

-

CASH AND CASH EQUIVALENTS:

Beginning of year	<u>-</u>
End of year	<u><u>\$ -</u></u>

RECONCILIATION OF OPERATING INCOME TO NET

CASH PROVIDED (USED) BY OPERATING ACTIVITIES:

Operating income	<u>\$ 9,497</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Changes in assets and liabilities:	
Fees receivable	(3,496)
Compensated absences payable	<u>(6,994)</u>
Total adjustments	<u>(10,490)</u>
Net cash used by operating activities	<u><u>\$ (993)</u></u>

**MICHIGAN HIGHER EDUCATION FACILITIES AUTHORITY
A PROPRIETARY COMPONENT UNIT OF THE STATE OF MICHIGAN
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Michigan Higher Education Facilities Authority, A Proprietary Component Unit of the State of Michigan (the "Authority") was organized under Act 295 (the "Act") of the Michigan Public Acts of 1969, as amended, to issue tax-exempt bonds and lend the proceeds to nonpublic, nonprofit institutions of higher education within the State for capital improvements.

During 1992, oversight responsibility for the Authority was transferred from the Department of Education to the Department of Treasury, under Executive Order 1992-2.

The Authority is a component unit of the State of Michigan and is reported as such in the State of Michigan Comprehensive Annual Financial Report.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board Statements No. 14 and No. 39. These criteria include oversight responsibility, accountability for fiscal matters, scope of public services and special financing relationships.

In July 2002, an executive order was issued which combined the Authority's administrative staff with the administrative staff of several similar authorities into a single work unit under the direction and supervision of the State Treasurer.

B. Financial Statements

The financial statements (i.e., statement of net assets, statement of activities, statement of revenues, expenses and changes in net assets and statement of cash flows) report information on all activities of the government. The Authority is considered a business type activity and has no component units.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include charges to customers who use, or directly benefit from services or privileges provided by a given function or segment.

**MICHIGAN HIGHER EDUCATION FACILITIES AUTHORITY
A PROPRIETARY COMPONENT UNIT OF THE STATE OF MICHIGAN
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The Authority is accounted for as a proprietary fund. A proprietary fund is used to account for operations:

- a) That are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or
- b) Where the governing body has decided periodic determination of revenues and expenses and net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Proprietary funds are reported using the “economic resources measurement focus” and the “accrual basis of accounting”. Revenues are recognized when earned and expenses are recognized when the materials, services, or benefits are received. Service fees and other fees and charges are recorded as income when earned, and the associated administrative expenses are recorded as incurred.

Designated trustees maintain separate accounting records pertaining to each individual bond issue for each participating facility. Assets managed by the trustees for each facility are restricted for payment of bond principal and interest and approved construction expenditures except for certain investment income which may be returned to the facility. None of the assets or liabilities held by the trustees are reflected in the Authority’s financial statements, as more fully described in Note 4.

Bond proceeds are retained by the trustees to fund interest costs and principal payments during the period of construction. After the construction period, interest and principal payments are funded by regular loan payments from the facilities.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The Authority has elected not to follow subsequent private-sector guidance.

Amounts reported as *program revenues* include charges to customers, services, or privileges provided. Likewise, general revenues include unrestricted investment income.

MICHIGAN HIGHER EDUCATION FACILITIES AUTHORITY
A PROPRIETARY COMPONENT UNIT OF THE STATE OF MICHIGAN
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Concluded)

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority are charges to customers for services. Operating expenses of the Authority include the cost of services, administrative expenses, and the depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, Liabilities, and Net Assets

Amounts Due from State Treasurer - All of the Authority's cash receipts and disbursements, as well as its cash balance, are maintained by the Department of Treasury. The cash balance maintained with Treasury is reported on the statement of net assets as amounts due from the State Treasurer.

Cash and Cash Equivalents - Cash and Cash equivalents include deposits with financial institutions and other highly liquid short-term investments with original maturities of less than 3 months used for cash management rather than investing activities. As of September 30, 2007, the Authority did not have any cash or cash equivalents.

Fees Receivable - Annual service fees due from various higher education institutions throughout Michigan are recorded on a monthly basis. Management provides for probable uncollectible amounts through a provision for bad debt expense when necessary and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Changes in the valuation allowance have not been material to the financial statements and no allowances are currently deemed necessary.

Compensated Absences - Vacation, banked leave time and sick pay are recorded as expenses at the time the benefit is earned by the employee taking into consideration maximum contractual amounts. The Authority is allocated a percentage of assigned employees of the Bureau of Bond Finance. Each employee's total compensated absences is multiplied by the current allocation percentage.

**MICHIGAN HIGHER EDUCATION FACILITIES AUTHORITY
A PROPRIETARY COMPONENT UNIT OF THE STATE OF MICHIGAN
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - COMPENSATED ABSENCES

Employees accumulate annual leave (vacation) balances to a maximum ranging from 240 to 316 hours. They receive a 100% termination payment upon separation based upon their final rate of pay. Employee sick leave balances accumulate without limit. Termination payments are made only upon separation from State service and only to employees hired prior to October 1, 1980. Payments at retirement or death are based on 50% of the employee's sick leave accumulation times their final rate of pay. When separating for any other reason, employees are paid a percentage of their unused sick leave which increases from 0% to 50% depending upon the balance of their sick leave hours. From October 2003 through October 2005, employees were required to participate in the Banked Leave Time (BLT) program. Under the BLT, each employees biweekly pay was reduced by up to 4 hours of pay. The unpaid time was credited to the employees BLT account and can be used for unpaid time off or it can accumulate up to 104 hours a year. Unused accumulated BLT will be paid as an employer contribution to a 401(k) plan when the employee separates from service.

Accounting Policy

The Authority has accrued liabilities for compensated absences as required by the GASB. Annual leave is valued at 100% of the balance plus the State's share of social security and retirement contributions. Sick leave is valued, as explained, at 0% to 50% plus the State's share of social security and retirement contributions. Banked leave time is valued at the unused accumulated hours at year end. The pay rates in effect as of October 1, 2005 are used. As of September 30, 2007, the Authority has an annual leave compensated absences liability in the amount of \$6,544, a sick leave compensated absences liability in the amount of \$12,662 and a bank leave time compensated absence liability in the amount of \$2,613.

NOTE 3 - EMPLOYEE BENEFITS

The employer's share of life, health, optical, dental and long-term disability insurance premiums are charged by the State of Michigan to the Authority biweekly based on each employee's selected coverage.

Defined Benefit Pension Plan

The Authority's employees hired prior to April 1, 1997 are enrolled in a noncontributory defined benefit plan through the State Employees' Retirement System (the "Plan") upon meeting certain eligibility requirements. The Plan provides for retiree pension and other postretirement benefits such as, dental, vision, and major medical coverage. The cost of the pension is currently funded, while the costs of the other postretirement benefits are on a pay as you go basis. The costs of these benefits are allocated to the Authority as a percentage of payroll.

**MICHIGAN HIGHER EDUCATION FACILITIES AUTHORITY
A PROPRIETARY COMPONENT UNIT OF THE STATE OF MICHIGAN
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - EMPLOYEE BENEFITS (Concluded)

Defined Benefit Pension Plan (Concluded)

The Authority's covered payroll, which was also the total payroll, was approximately \$32,000, \$22,000 and \$13,000 for the years ended September 30, 2007, 2006 and 2005, respectively. The Authority's actuarially determined contribution requirements, and the contributions actually made, was approximately \$7,600, \$7,600 and \$4,300 representing 24%, 35% and 33% of annual covered payroll for the years ended September 30, 2007, 2006 and 2005, respectively.

The State Legislature establishes the extent to which the employer and the employees are required to make contributions and establishes the benefit provisions for the Plan. Additional detail and data regarding the Plan description, vesting, and eligibility requirements, actuarial cost methods and assumptions, funding requirements, accounting policies and ten year historical trend information is provided in the SOMCAFR and the Plan's detailed financial report issued by the Office of Retirement Systems. Those reports may be obtained by writing the Department of Management and Budget, Office of Retirement Systems, 7150 Harris Drive, P.O. Box 30171, Lansing, Michigan 48909 or by calling (517) 322-6262.

Defined Contribution Pension Plan

The State Employees' Defined Contribution Retirement Plan (the Plan) was established to provide benefits at retirement to employees of the State who were hired after March 31, 1997 and to those members of the State Employees' Retirement (defined benefit) System, who elect to transfer to the plan. The Plan is administered by the State Treasurer. The State is required to contribute 4% of annual covered payroll. The State is also required to match employee contributions up to 3% of annual covered payroll. Plan provisions and contribution requirements are established and may be amended by the Legislature. The Authority transferred approximately \$1,500 to the State for its employer contribution. Employee contributions to the Plan were not significant.

Deferred Compensation Plan

Employees may also participate in a Section 457 plan and a 401(k) plan. Neither the Authority or the State makes an employer contribution to these plans. The assets and liabilities of the Section 457 and 401(k) plans are reported in the SOMCAFR and are not reported in the Authority's balance sheet.

**MICHIGAN HIGHER EDUCATION FACILITIES AUTHORITY
A PROPRIETARY COMPONENT UNIT OF THE STATE OF MICHIGAN
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - LIMITED OBLIGATION DEBT

The Authority has certain bonds outstanding. The trustee, fiscal agent, registrar, and paying agent functions for the defeased bonds are performed by an Authority designated trustee. Because these obligations are, in substance, debts of other entities, the liabilities and related assets are not reflected in the Authority's financial statements.

The Authority has defeased, in substance, certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Economic gains and accounting gains and losses upon in-substance defeasance inure to the benefit of the facility for which the bonds were issued and accordingly are not reflected in the Authority's financial statements.

The defeased, defeased and total outstanding bonds as of September 30, 2007 follows:

Defeased	\$ 62,215,000
Defeased	<u>566,430,242</u>
 Total outstanding	 <u><u>\$ 628,645,242</u></u>

NOTE 5 - TRANSACTIONS WITH OTHER STATE AGENCIES

The Authority is charged by various state agencies and departments for certain accounting, auditing, legal and cash management services. These fees were approximately \$49,200 for the year ended September 30, 2007. As of September 30, 2007, no amounts were due from or to other state agencies or departments for these services.

The Authority received reimbursements from other state agencies for expenses relating to salaries and administrative costs in the amount of \$2,954. As of September 30, 2007, \$1,767 was due to the Authority.

NOTE 6 - RISK MANAGEMENT

The Authority's risk management is provided through the State of Michigan. The State has elected not to purchase commercial insurance for many of the risks of losses to which it is exposed. The State is self-insured for most general liability and property losses, portion of its employee insurance benefit and employee bonding programs, automobile liability, and workers' compensation and unemployment compensation claims. The State has established two internal service funds, the Risk Management Fund and the State Sponsored Group Insurance Fund, to account for certain aspects of the risk management program. Additional detail and other data on the State's risk management program are provided in the SOMCAFR.



Lamonte T. Lator
Bruce J. Dunn
Jeffrey C. Stevens
Linda I. Schirmer
Steven W. Scott
David M. Raeck
Robert E. Miller, Jr.
Steven B. Robbins
James E. Nyquist
James R. Dedyne

Timothy H. Adams
David B. Caldwell
Edward L. Williams, III
Timothy J. Orians
Dennis D. Theis

Walter P. Maner, Jr. (1921-2004)
Floyd L. Costerisan
Leon A. Ellis (1933-1988)

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

Michigan Higher Education Facilities Authority
A Proprietary Component Unit of the State of Michigan
Lansing, Michigan

November 21, 2007

We have audited the basic financial statements of the Michigan Higher Education Facilities Authority A Proprietary Component Unit of the State of Michigan, as of and for the year ended September 30, 2007, and have issued our report thereon November 21, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Michigan Higher Education Facilities Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Michigan Higher Education Facilities Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Michigan Higher Education Facilities Authority's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be presented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Authority and management and is not intended to be and should not be used by anyone other than these specified parties.

Maner, Costinison & Ellis, P.C.

Certified Public Accountants